

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 95-1235-C - ORDER NO. 96-74 ✓
JANUARY 30, 1996

IN RE: Application for Approval of Transfer of) ORDER
Assets from Teledial America, Inc. DBA) APPROVING
U.S. Signal to LCI International Telecom) ASSET
Corporation and Related Transactions.) TRANSFERS

This matter comes before the Public Service Commission of South Carolina (the "Commission") on the Application of LCI International Telecom Corporation ("LCI Telecom"), LCI Telemanagement Corporation ("LCI Telemanagement"), LCI International Management Services, Inc. ("LCIM"), and Teledial America, Inc. DBA U.S. Signal ("Teledial")(collectively referred to herein as the "Applicants") requesting approval of the sale of certain assets from Teledial to LCI Telecom. The Joint Application also requests the approval of plans to merge LCI Telemanagement into LCI Telecom. The Application was filed on December 5, 1995, pursuant to S.C. Code Ann. §58-9-310 (Supp. 1994) and the Regulations of the Public Service Commission.

The Commission's Executive Director instructed the Applicants to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the affected areas. The purpose of the Notice of Filing was to inform interested parties of the Applicants' Joint Application and of the manner and time in which

to file the appropriate pleadings for participation in the proceeding. The Applicants complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. No Petitions to Intervene were filed in this matter.

A public hearing was commenced on January 17, 1996, at 11:00 a.m. in the Commission's Hearing Room. The Honorable Rudolph Mitchell, Chairman, presided. The Applicants were represented by Robert D. Coble, Esquire. Catherine D. Taylor, Staff Counsel, represented the Commission Staff.

Mr. Scott McMahon, Regulatory Attorney for LCI Telecom, appeared and offered testimony in support of the Joint Application. He stated that LCI Telecom and LCI Telemanagement are certified by this Commission to provide intrastate resold telecommunications services in South Carolina. Mr. McMahon further explained that on December 17, 1995, LCI Telecom and Teledial signed an Agreement of Purchase and Sale of Assets pursuant to which they contemplate that LCI Telecom will acquire the long distance business and substantially all of the assets of Teledial. Upon closing the transaction, LCI Telecom will provide telecommunications services to Teledial's former customer base. Mr. McMahon testified that the transfer of assets will not adversely affect the provision of telecommunications services in South Carolina, and that the customers will continue to be able to purchase the same services from LCI Telecom which they currently purchase from Teledial at the same rate and under the same terms and conditions. The record shows that LCI Telecom requests

authority to concur in Teledial's existing tariff for an interim period of up to six months for transition, until such time as it can amend its own tariff as necessary to add the service offerings currently provided by Teledial. Mr. McMahon further stated that all of Teledial's customers will be sent appropriate and timely notice of the transaction.

In regards to the merger, Mr. McMahon explained that the companies propose to accomplish the merger by first merging LCI Telemanagement into LCIM (LCI Telemanagement was formed specifically for the purpose of facilitating the acquisition of Corporate Telemanagement Group by the LCI family of companies in September of 1995). Thereafter, in a virtually simultaneous transaction, LCI Telemanagement's operations will be transferred from LCIM to LCI Telecom. LCI Telecom will provide telecommunications services to LCI Telemanagement's former customers. LCI Telecom would be the surviving entity. Mr. McMahon stated that LCI Telemanagement's customers will not be adversely affected because LCI Telecom's tariff will be amended to add all of LCI Telemanagement's services at current rate levels. Mr. McMahon requested on behalf of the companies that LCI Telecom be granted authority to concur in LCI Telemanagement's existing tariff for an interim period of up to six months, until such time as it can amend its own tariff as necessary to add the service offerings currently provided by LCI Telemanagement.

Mr. McMahon continued by explaining that the proposed merger offered several advantages: (1) the combined firm can operate more

efficiently, (2) customers will have a single point of contact at LCI, and (3) regulators will be able to deal with LCI as a single entity and maintain a single set of tariffs for the LCI companies. The record reveals that the Applicants request that the Commission not cancel LCI Telemanagement's existing Certificate of Public Convenience and Necessity at approval of the merger, as LCI Telecom and LCI Telemanagement will file an application for cancellation of LCI Telemanagement's Certificate when the timing of the merger is settled. Finally, Mr. McMahon assured the Commission that the Applicants would abide by the Commission's Rules and Regulations.

Upon review and consideration of the Application, applicable law, and the evidence presented at hearing, the Commission hereby issues its findings of facts and conclusions of law:

FINDINGS OF FACT

1. Teledial is a Michigan corporation certified by this Commission to operate as a reseller of intrastate interexchange telecommunications services in South Carolina pursuant to Order No. 94-1099.

2. LCI Telecom is a Delaware corporation licensed to do business as a foreign corporation in South Carolina and is wholly owned by LCIM which, in turn, is wholly owned by LCII. LCI Telecom is currently certificated by the Commission to provide interexchange telecommunications services in South Carolina pursuant to Order No. 89-1071.

3. LCI Telemanagement Corporation is a Delaware corporation

which is wholly owned by LCII, was formed specifically for the purpose of facilitating the acquisition of Corporate Telemanagement Group, Inc., in September 1995, and is currently certificated by the Commission to provide interexchange telecommunications services in South Carolina pursuant to Order No. 95-1483.

4. LCI International, Inc. ("LCII") is a publicly-held Delaware corporation and the parent company for all LCI companies listed herein.

5. LCI Management Services, Inc. ("LCIM") is a wholly owned subsidiary of LCII which provides management service to LCI Telecom and holds the stock of LCI Telecom.

6. LCI Telecom and Teledial wish for LCI Telecom to acquire the long distance business and substantially all of the assets of Teledial.

7. On December 17, 1995, LCI Telecom and Teledial signed an Agreement of Purchase and Sale of Assets pursuant to which they contemplate that LCI Telecom will acquire the long distance business and substantially all of the assets of Teledial.

8. Upon closing this transaction, LCI Telecom will provide telecommunications services to Teledial's former customer base.

9. Because the transfer of assets will be made in seamless fashion, Teledial's former customers will not be adversely affected. Customers will be able to purchase the same service from LCI Telecom that they currently purchase from Teledial at the same rates and under the same terms and conditions.

10. The parent companies of LCI Telemanagement and LCI Telecom wish to merge LCI Telemanagement's operations with those of LCI Telecom. LCI Telecom will then be the resulting entity.

11. LCI Telemanagement's customers will not be adversely affected by the merger because the merger will be transparent to customers. LCI Telecom's tariff will be amended to add all of LCI Telemanagement's services at current rate levels.

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission hereby determines that the sale of assets from Teledial to LCI Telecom is in the public interest, and, therefore, the Commission approves the requested asset transfer as stated herein.

2. The merger of LCI Telemanagement into LCI Telecom is in the public interest, and, therefore, the Commission approves the requested merger as stated herein.

3. LCI Telecom is granted authority to concur in Teledial's existing tariff for an interim period of up to six months, until such time as it can amend its own tariff as necessary to add the service offerings currently provided by Teledial.

4. LCI Telecom is granted authority to concur in LCI Telemanagement's existing tariff for an interim period of up to six months, until such time as it can amend its own tariff as necessary to add the service offerings currently provided by LCI Telemanagement.

5. LCI Telemanagement's Certificate of Public Convenience and Necessity is not cancelled herein in light of the assurances

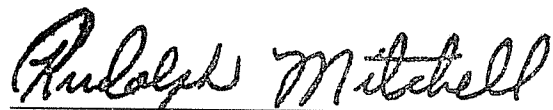
by LCI Telemanagement and LCI Telecom that they will file an application for the cancellation of LCI Telemanagement's Certificate when the timing of the merger is settled.

6. The transfer of assets and merger as discussed herein are in the public interest because these transactions enable Applicants to operate more efficiently, introduce new products, and continue to expand operations, thereby offering new and improved services to customers in South Carolina.

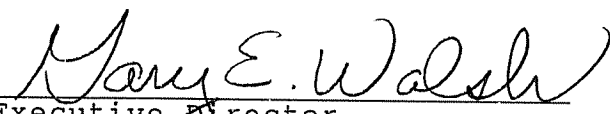
7. Teledial is strongly urged by this Commission to provide the Commission with viable information regarding the status of its operations in South Carolina, and the Commission suggests Teledial petition for cancellation of its Certificate of Public Convenience and Necessity for South Carolina if appropriate.

8. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Deputy Executive Director

(SEAL)